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Life Insurance Market Outlook Report

Prepared for NobleOak Life

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Actuaries & Researchers

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Introduction

This report has been prepared by Plan For Life, Actuaries & Researchers, part of ISS Market Intelligence, for NobleOak Life in May 2021.

Report Purpose

The purpose of the Report is to:

1. Provide a view on the outlook for the Life Insurance Industry over the next 5 years, highlighting the Direct Life Insurance Market, including:

    - A review of Industry background, Insurance-related changes, and other changes in the last five years, as they set the scene for the immediate future.
    - Considering the impact of the changes as they've affected the direct insurance and advised markets.
    - Considering the outlook for each market and preparing a short forecast.

2. Identify the main risks facing the Industry:

    - The risks facing the industry are considered, highlighting those arising from legislation and those from business conditions.

3. Identify the key opportunities likely to emerge during the period in the broad Life Industry.

4. Identify the key opportunities likely to emerge during the period in the Direct Life Insurance Market.

5. Identify key criteria for success by a life insurer during the period; this includes particular emphasis in the Direct Life Insurance Market.

Executive Summary

Key issues addressed in this report are as follows:

- Major changes have affected the Australian Life Insurance industry following ASIC's review of direct insurance and initial commission on advised products, and APRA's review of income protection insurance. FASEA requirements as from 1/1/19 have had a further effect. The removal of automatic cover in under 25 age members in group insurance is potentially beneficial to the individual insurance market.
- The impact of these changes has included the closure of an insurer and several products, a fall from $421 million of new direct insurance business in 2017 to $194 million in 2020 and in the advised market a fall from $790 million of new sales in 2017 to $391 million in 2020. Adviser numbers have halved in this period.
- The outlook is positive however as there are signs that the markets are close to their lowest point, although there is still a further insurer sale and product brand withdrawals to come.
- The major risks for the Life Insurance Industry foreseen at present are further legislative changes introduced through ASIC and APRA actions, and FASEA implementation which will likely result in further adviser exits. Competition within the industry is a potential risk at individual insurer level, although by keeping a close watch on competitors' new products, astute insurers can turn this to advantage.
- Opportunities in the next 5 years include the ability for insurers to grow market share in an environment where some insurers and their brands have exited the market, to focus on the under 25 age group, and to present the insurer's image to a wider audience. For those insurers with high quality service and systems there is an opportunity to gain recognition while established insurers struggle with integrating legacy systems acquired through recent takeovers.
- In the direct market, there are opportunities to expand through customer engagement using social media and loyalty programs, as well as considering using affinity groups, credit unions and friendly societies.
- Success factors in the changed market, especially direct, include having competitive and sustainable products, the highest levels of service and making sure that the business grows at a measured and controlled rate.
- Particular success factors for the direct market are providing prospects with the best possible online user experience, incorporating sustainability and ESG practices, and introducing rewards programs to increase brand loyalty and retain customers.

1. Outlook for the Life Insurance Industry

A. Industry Background

The past five years have been a period in which much turmoil has been experienced by Australian life insurers. In order to provide a view on the outlook for the next five years, it's important to review the major insurance-related changes which have occurred to date as well as other factors affecting the individual direct and advised life insurance markets.

Insurance-Related Changes

Significant Life insurer closures and take-overs

- AMP: life insurance business sold to Resolution Life which operates a closed fund
- CommInsure: direct and advised products closed and life funds bought by AIA
- Asteron bought by TAL resulting in advised products being closed while direct brands, Suncorp and AAMI, continue.
- OnePath: life business bought by Zurich, resulting in direct sales being limited to the Zurich brand; the advised brands of both entities are still available.

ASIC's ongoing review of Direct insurance

As a result of ASIC's Report 587, which clamped down on unsound business practices such as 'cold' outbound calls and policies with minimal value to policyholders, in particular accident benefit insurance, Freedom Insurance, a distributor, terminated its direct insurance sales in late 2018, while Clearview discontinued its direct business and is continuing to sell advised insurance.

ASIC's review of life insurance advice commissions

Up-front commission to advisers has been steadily reducing since 2017 following the Australian Government's acceptance of the Trowbridge Report proposals to reduce up-front commission. Since 1 January 2020, a maximum up-front commission of 60% of annual premium has been payable on new life insurance sales. Advisers have found it extremely difficult to adapt to this limit, which has effectively reduced initial remuneration by at least a third, creating the need to modify their businesses through the use of advice fees and improved business efficiency. Many adviser firms have indicated that they cannot survive under the changed commission requirements.

APRA's ongoing review of disability income policies in both the Direct and Advised markets

APRA's review in recent years of insurers' substantial losses through disability income protection claims (direct and advised), resulted in two initial requirements: life insurers to discontinue selling agreed value income protection policies by 31 March 2020 and a capital charge (known as a Pillar charge) to be met by each insurer from 1 October 2020, as a means towards maintaining the sustainability of its income protection policies. Other required changes by 1 October 2021 include stricter definitions of disability, a limit placed on the income replacement ratio and capping of benefits at claim time. A requirement that policies have a maximum term of 5 years has been deferred until 1 October 2022.

Insurance through Group Superannuation policies

Legislation in 2019, which required that new members under age 25 be removed from receiving automatic insurance cover (but could still opt in and be covered), reduced the number of members with cover in industry and government funds by about one third and produced a fall in annual premiums collected by the funds of over 0.5 billion ($4.76 billion in 2016-7 to $4.22 billion in 2019-20).

Other Industry Changes

FASEA (Financial Adviser Standards and Ethics Authority)

As from January 1, 2019, new financial advisers were required to meet a series of standards for education, professionalism and ethics which would come into effect over the following five years. There is also a provision that all existing advisers must have a bachelor's degree or equivalent qualification, or higher, by January 1, 2024.

COVID, Post-COVID and the Australian Economy

Despite JobSaver payments in 2020, the impact of job losses and earnings is likely to have shifted life insurance further down the scale of preferred expenditure, at least in the short to medium term.

With the roll-out of new COVID vaccines and the increasing return to work (the ABS unemployment rate in May 2020 was 7.1%, whereas in March 2021 this had reduced to 5.6%), the Australian economy has picked up in early 2021. A return to more normal conditions and a continuation of rising employment, as well as an extremely low interest rate regime, have generated a return to retail spending (per the ABS, 2.2% increase for March 2021 over March 2020), and a rush to buy houses with a corresponding spike in house prices. From a life insurance point of view these are positive signs especially as the property surge should increase the need for mortgage insurance cover, while with earnings growing, and in many cases restored to previous levels, consumers will be more inclined to return to insuring themselves.

B. The Impact of the Changes

The Direct Life Insurance Market

In the Direct Life Insurance market, the closure of a major distributor, banning of cold calls and product closures have had a substantial negative effect on new business. In 2017, AMP, Asteron, Clearview, CommInsure, OnePath and Freedom accounted for 30% of $421 million of new annual premiums. In 2019 this figure had fallen substantially to $218 million. The rate of decline slowed in 2020, with new annual premium reducing to $194 million. This appears to be close to the market turning point with four out of the 12 active direct product providers showing positive sales growth over 2019.

An analysis of changing sales by age group and by product provides important insights into the details behind the decline and provides pointers to the potential market recovery from 2021 onwards.

“New Annual Business” is defined as new sales plus increases on policies through age and CPI adjustments.

Age Group Analysis of New Annual Direct Business

Within age group, the largest falls numerically were in ages 50-65, followed by ages 25-39 and 40-49.

$m New Business	**Age: <25**	**25-39**	**40-49**	**50-65**	**65+**	**Total**
2017	29.4	105.7	97.7	136.3	52.1	421.2
2020	13.3	47.1	44.5	65.6	23.8	194.3
% Decline	54.8%	55.4%	54.5%	51.9%	54.3%	53.9%

Product Type Analysis of New Annual Direct Business

Within product type, Funeral Cover and Mortgage & Credit Cover suffered the greatest attrition rates.

$m New Business	**Term & TPD**	**Trauma**	**Funeral Cover**	**Mortgage & Credit Cover**	**Accident & Other**	**Income Protection**	**Total**
2017	85.6	5.4	142.3	126.5	21.5	39.9	421.2
2020	57.7	6.5	52.4	44.8	8.4	24.5	194.3
% Decline	32.6	+20.4%	63.2%	64.6%	60.9%	38.6%	53.9%

Impact on the groups of insurers and distributors - New Annual Direct Business

2017 figures comprise $381.2 million lump sum cover and $40 million income protection cover. These reduced to $169.9 million and $24.4 million respectively in 2020. As mentioned earlier, new business includes annual premium from new sales and increases on existing policies and is naturally somewhat larger than the figure of approximately $100 million arising from new sales in APRA's 'Life Insurance Claims and Dispute Claims Statistics: December 2020'.

Insurer/Distributor	2017 $m	2020 $m	2020 % of 2017
Allianz	22.6	6.4	28.3%
AIA/CommInsure	53.8	13.7	25.5%
Asteron/TAL	64.8	41.2	63.5%
Clearview	8.9	1.0	11.2%
Freedom	54.6	-	-
Greenstone	68.7	63.8	92.9%
MLC	30.2	3.5	11.6%
NobleOak	7.3	10.9	149.3%
St. Andrews	24.2	6.5	26.9%
Zurich/OnePath	45.0	12.6	28.0%
Others	41.1	34.7	84.4%
Total	**421.2**	**194.3**	**46.1%**

The departures of Clearview and Freedom, plus MLC putting most of its direct products into limbo in 2020, account for a loss of $93.3 million of previous new business. NobleOak grew its new business by 49.3%, whereas all other insurers' new business fell over the period. Allianz new business, which included a mix of annual premiums and single premiums in 2017, reduced substantially over the period, apparently caused by a combination of the general fall in consumer interest in insurance and its discontinuance of some lines of business. Similarly, St. Andrews new business, which comprised annual premium and single premium business in 2017, and in particular included income protection, has reduced substantially since then, and income protection is no longer offered. Updated data from CommInsure indicates a considerable reduction in new business, much of which was CCI and Accident Cover, while that of Clearview and MLC is derived largely from increases on in force business.

Note: the 'Others' Group includes AMP, BT, Hallmark, Hannover, HCF, Integrity, Swiss Re and MetLife. The greatest part of the market's fall occurred between 2017 and 2019; in the year ending December 2019, new business declined to $218 million, followed by a smaller reduction to $194 million in 2020, suggesting that a levelling out point may have been reached.

The Advised Insurance Market

In the Advised insurance market, the closure of insurers coupled with the reduction in remuneration have been the factors having the greatest impact on both new sales and the number of advisers selling life insurance. Advised life insurance new business fell from $1.573 billion in 2017 to $1.367 billion in 2019, before recovering to $1.397 billion in 2020. Within these figures, actual new sales suffered a steep decline, falling from $790 million in 2017 to $542 million in 2019, and then to $391 million in 2020. Total new business has in fact been strongly supported by increases on existing policies.

New Annual Advised Business

Product	**2017**	**2019**	**2020**
	$m	**$m**	**$m**
Lump Sum Cover	1,082	973	976
Income Protection	491	394	421
Total	**1,573**	**1,367**	**1,397**

The reduction in up-front commission, coupled with tougher education requirements and the sales of AMP Life, OnePath and CommInsure, have impacted heavily on numbers of advisers in the industry, and as a consequence, caused much of the marked fall in new sales. On top of these effects is the further, not inconsiderable impact of closing Agreed Value income protection, early in 2020.

Plan for Life past studies of dealers and advisers selling life insurance, show that from 2015 onwards there's been a continuing reduction of around 15% of total adviser numbers each year up to December 2020. There were an estimated 5,000 life insurance advisers at the start of 2017, comprising 70% insurance specialists and 30% selling some insurance together with investment, superannuation, and annuity policies. Applying the 15% reduction rate per year to the 2017 adviser numbers produces an estimate of around 2,600 selling life insurance at the end of 2020.

Not surprisingly there is a strong correlation between the fall in adviser numbers and that of new advised life insurance sales, with both dropping by about 50% since December 2017. Based on recent comments by several dealer heads, there are some positive signs that advisers who've survived the downturn are now handling increased volumes of sales, auguring well for the immediate future.

C. Market Outlook

Looking forward over the next five years, we view the insurance market as gradually turning around in 2021 and the first half of 2022, as insurers adjust to the changed conditions prevailing in the industry.

There are however still some 'future shocks' to be experienced in this time, not least the likely sale of Westpac Life which may result in the closure of its advised and direct products, the further integration of OnePath into Zurich with the possible closure of the former's advised products.

The number of direct, branded products sold previously by TAL (those of Asteron/Suncorp) have already reduced, while CommInsure products have been replaced with the AIA brand. Whilst the other active insurers in both direct and advised markets will no doubt make efforts to take up the space left by these exits, experience has shown that exits and mergers inevitably lead to some loss of new business, hence our view that the recovery process may take at least 18 months.

On the positive side, the improving state of the economy and increasing employment, coupled with low inflation and very low interest rates until possibly 2024, as indicated by the Reserve Bank, can be expected to assist the insurance market in its recovery process since consumers will have more discretionary income and more inclination to take out life insurance. As mentioned, rising demand in the property market, leading to growth in both numbers and the size of mortgages, as well as access to low-cost consumer loans and credit, are factors which will also help drive the need for life and disability cover.

Outlook for the Direct Life Insurance market

The outlook for the direct insurance market is thus seen as being increasingly positive over the next five years. Recovery of new business to previous high levels is largely dependent on the extent to which insurers reach out to the public through the diverse types of media and naturally, the amount that they spend on advertising, developing fresh ways to attract customers, building more user-friendly web-sites with improved tools and ensuring that call-back staff provide a rapid and effective response to customer enquiries.

Based on the above, a medium-level forecast of new business in the direct market from 2021 to 2025 is as follows:

New Annual Direct Business Forecast

Direct Market	**2021**	**2022**	**2023**	**2024**	**2025**	**5 Year CAGR**
	$m	$m	$m	$m	$m	
Lump Sum Cover	175	182	190	201	215	4.8% p.a.
Income Protection	26	28	31	35	42	11.8% p.a.
Total	**201**	**210**	**221**	**236**	**257**	**5.8% p.a.**
Annual growth over the prior year	**3.6%**	**4.5%**	**5.2%**	**6.8%**	**8.9%**	

Direct In Force Business Forecast

Direct Market	**2021**	**2022**	**2023**	**2024**	**2025**	**5 Year CAGR**
	$m	$m	$m	$m	$m	
Lump Sum Cover	1.412	1.410	1.415	1.430	1.456	0.5% p.a.
Income Protection	0.156	0.163	0.172	0.183	0.199	5.8% p.a.
Total	**1.568**	**1.573**	**1.587**	**1.613**	**1.655**	**1.0% p.a.**

This forecast adopts a series of net increments in new business each year, namely 3.6%, 4.4%, 5.2%, 6.8% and 8.9%, and lies in a range of possible outcomes, including a lower forecast where recovery might take until the start of 2022 after a further drop of 5% in 2021 new business to $185 million, and a higher forecast where insurers make more strenuous marketing efforts to restore their sales and 2021 results in new business of $213 million, which is a 10% increase on 2020. Provided similar net increases occurred over the ensuing 4 years, new business would reach $312 million in 2025.

In each case, the forecast is dependent on how well insurers retain their in-force business, enabling them to generate premium increases each year. Broadly speaking, past retention experience in the direct market has been poor, with between 60% and 70% of policies surviving after one year (with lapse rates running at 30% to 40%), followed by subsequent reductions of up to 10% each year. There have however been exceptions to this with at least one insurer demonstrating that it’s possible to retain at least 90% after one year and keep annual reductions thereafter to around 5%.

Outlook for the Advised Life Insurance market

In the Advised Life Insurance market, retention rates of around 88% after the first year and lapses of 8% to 10% p.a., thereafter, enable in force business to make a large contribution to new business.

New Annual Advised Business Forecast

Advised Market	**2021**	**2022**	**2023**	**2024**	**2025**	**5 Year CAGR**
	$m	$m	$m	$m	$m	
Lump Sum Cover	978	1,011	1,049	1,092	1,145	3.2%
Income Protection	471	495	520	545	567	6.1%
Total	**1,449**	**1,506**	**1,569**	**1,637**	**1,712**	**4.2%**

Advised In Force Business Forecast

Direct Market	**2021**	**2022**	**2023**	**2024**	**2025**	**5 Year CAGR**
	$m	$m	$m	$m	$m	
Lump Sum Cover	5,811	5,924	6,039	6,149	6,257	1.9% p.a.
Income Protection	2,760	2,799	2,847	2,900	2,955	1.6% p.a.
Total	**8,571**	**8,723**	**8,885**	**9,049**	**9,212**	**1.8% p.a.**

The forecast used in this case assumes a small recovery of new sales in 2021 from $391 million to $403 million (3% increase), followed by a series of 3.5%, 4%, 4.5% and 5% thereafter. Increases on existing business are assumed to grow at net rates of 4%, 4.1%, 4.2%, 4.3% and 4.4% in each successive year.

As is the case for the Direct market, the Advised Life Insurance market forecast is a medium-range one, with a lower-level forecast having no increase in new sales in 2021, followed by a more subdued sets of increases, and a higher-level one where 2021 sales lift to $410 million, followed by a series of elevated increases each year.

2. The main risks facing the industry in the next 1 to 5 years

Legislation-driven: ASIC and APRA

Legislation-driven changes during the last five years have had a dramatic effect on the Life insurance industry, playing the major role of re-shaping both direct and advised insurance, through the removal of products, slashed up-front commission and the elimination of ‘cold’ or unsolicited calling. While it’s unlikely that legislative changes in next five years will be as intrusive and wide-reaching as in the recent past, ASIC’s review of the Life Insurance Framework (LIF) in 2021 and APRA’s intense focus on disability income protection sustainability and potentially other life insurance products, will require insurers to be not just reactive, but increasingly pro-active in handling fresh requirements. Our view is that those insurers which allocate significant resources to dealing with current and pending changes to products, product wording, administrative and claims processes, as well as anticipating where the regulators’ focus is moving next, will be at a considerable advantage to their competitors.

Legislation-driven: FASEA and Adviser adaptation

For insurers which sell advice-based insurance, a set of specific challenges exist, arising from the requirements for advisers to meet the FASEA standards by the start of 2024, and by the need for advisers to adapt to the reduced up-front commission and ‘fee for service’ regime which now prevails. The inability of advisers to reboot their businesses and create new operating models, leading them to leave the industry, as the 2017 to 2020 figures demonstrate, represents a clear, ongoing risk to insurers’ future new sales. Similarly, the exiting of older advisers unwilling to meet the FASEA standards, adds to the problem.

To meet this threat, the measures recommended to insurers in the 2019 Plan For Life White Paper, ‘Cost and efficiency of delivering life insurance advice’ are well worth summarizing, namely to:

- Provide existing and new advisers with training, not only in product and sales techniques, but also in how to analyze their own business costs, achieve efficiencies, restructure appropriate fees for service, automate and use technology.
- Review questions in the Personal Statement and make this shorter and easier to complete, while remaining fit for purpose.
- Improve platform interfaces so that data only needs to be submitted once.
- Analyze internal processes, simplify the requirements, and shorten the time needed to complete them.

Business-driven: Competition

Our view is that a competitive environment, whilst carrying the threat of other insurers taking away customers, advisers, or parts of a ‘captive’ market, nonetheless makes for a healthier life industry and in turn, for healthier insurers. In stating this we’re not advocating that an insurer ignores its competitors. In fact, we believe that there’s a very strong case for watching moves by the other insurers extremely closely by maintaining a well-resourced research section. Often, ideas and concepts by competitors which haven’t worked out well, can be turned into potent products and strategies by an insurer better equipped to use them. A good example of this is the introduction of investment bonds by a small Australian life insurer back in the 1980s. This attracted some $50 million of new business, but this was overwhelmed when the friendly societies, realizing that they had a perfect client base for the product, launched their own investment bonds, securing billions of dollars of new business.

There is a possibility that new insurers may enter either the direct or advised life insurance markets in the next five years, thereby posing some risk to existing operators. Given the intensity of review with which both APRA and ASIC are now applying to the life industry, obtaining an APRA license would probably be a fairly difficult undertaking. A new entrant would have to meet the financial requirements for solvency and capital adequacy and would probably have to provide additional reserving (given APRA’s new capital charge) for offering income protection insurance. Distribution considerations would also be a challenge, considering the much greater restrictions which are now placed on direct selling methods and the much-reduced pool of advisers through which to sell advised business. Doubtless the applicant would have to convince APRA that it had a business plan which took into account the prevailing conditions in the industry and that it was capable of succeeding in this new environment.

3. Key opportunities likely to emerge during the next 5 years in the broad Life Insurance Industry

Opportunity to materially grow market share

From an industry-viewpoint, the substantial falls in the direct and advised markets since 2017 appear calamitous, but at individual insurer level these represent a major opportunity. The last three years have swept away competitors, products, and bad selling practices, leaving the markets much more evenly balanced than they have ever been in the recent past. In this changed environment, insurers who already have products and support services which meet best practice, are at a major advantage to their competitors.

Opportunity to focus sales on the under age 25 age group and take advantage of its under-insurance

The removal of automatic cover for members under the age of 25 (actually the age group 18 to 24) has opened up a considerable sub-market for life insurers in both the direct and advised spaces. Prior to the 'Protecting Your Super (PYS) 'and 'Putting Members' Interests First (PMIF)' legislation the vast majority of persons in this young age -group were catered for within Industry Group Life schemes. Based on the APRA Superannuation Report as at 30/6/20, there were 2.685 million member-accounts for ages below 25. This figure was around 0.3 million higher in prior years, indicating that duplicated accounts had been cleared out to some extent, but there may still be some duplication where a member belonged to different super funds at some previous time. Even so, assuming that the number of accounts which represent members is closer to 2 million, there's still a huge opportunity to address this market segment.

Opportunity to find a much wider audience

Opportunity for an insurer to reinforce and extend its image, presence, and capabilities as a significant market player to a much wider audience.

The disappearance of brands such as AMP, CommInsure and OnePath which have been household names for decades, leaves a yawning gap in the life insurance market, not just in terms of products but also of insurers with very well-known names and brands. This will enable an astute insurer, using carefully targeted marketing, to build on its existing image and present it to an even wider audience.

Opportunity based on effective administrative systems

Opportunity for an insurer to review, improve and then maintain its administrative systems and service sections at the highest level, while competitors struggle to overcome and integrate legacy systems

The recent bout of take-overs and mergers have left most of the leading insurers with the unenviable and laborious task of integrating different computer systems and administrative processes. This applies especially to TAL-Suncorp, AIA-CommInsure and Zurich-OnePath, while MLC is virtually placing its insurance products in a holding pattern while it sorts out the different systems it acquired over the years. Clearly, an insurer which is already delivering high quality service, and which is unburdened by legacy systems, now has the opportunity of lifting its systems and services to even higher levels, thereby creating a significant market presence as a quality service provider.

4. Key opportunities likely to emerge during the next 5 years in the Direct Life insurance Market

Life Insurance Industry Opportunities

All of the opportunities identified in the broad Life Insurance Industry apply to the direct life insurance market

The opportunity for growth is even greater in a direct market which has shrunk to less than half its size three years ago, without competitors such as Clearview and Freedom, and for the time being MLC and where stern competition from players such as CommInsure (rebranded as AIA) and TAL has diminished. Simultaneously there is a major opportunity for insurers to build their own images further in this changed market.

As the 'Age Group Analysis of Direct New Business' shown previously in this report demonstrates, under age 25 prospects have been accessed by direct insurers to a minimal extent, so the change to group life cover heralds a new era of opportunity to access this sub-market through direct products.

The opportunity to improve and maintain higher levels of service and systems, thereby outshining competitors, is a further outcome of the changed direct market and presents itself as a factor which can offer greater differentiation than product design when a prospect chooses an insurer.

Opportunities specific to the Direct Market

The very nature of direct insurance lies in the processes through which prospects are sourced or attracted. At a time when the direct market is in a depressed state, the burgeoning growth in electronic communications through social media, blogs and phone apps offers the opportunity, coupled with under-insurance of the under age 25 group, for insurers to strike out in new directions.

Naturally, advertising through TV, radio, internet, newspapers (local and national) and telephone will continue to create opportunities, but other channels such as developing relationships with affinity groups, credit unions and friendly societies offer further scope to insurers.

5. Identify key criteria for success by a life insurer during the next 5 years with particular emphasis on the Direct Life Insurance Market

Offering life insurance products which are competitive and sustainable

Offering products which are both competitive and sustainable is a fundamental prerequisite to success. Being competitive does not mean having the cheapest rates and the 'best' features, which can ultimately result in unprofitable and unsustainable products. Being competitive should be seen as offering products which lie in the leading group of products, with rates which meet the underlying contingencies, and which are supported by the insurer's financial and reserving requirements.

Providing the highest levels of service to customers by continual review and re-setting of standards as the business grows

This has been commented on under Opportunities and it's important to see this as an ongoing process and not just something that gets sorted out from time to time. Apart from meeting the need to maximize customer satisfaction it also plays a key role in retaining business and minimizing lapses.

Growing the business at a measured and controlled rate

Many insurers have fallen into a trap in the pursuit of growth, either through expanded marketing of products and sales personnel or acquisition of other businesses, often resulting in an indigestible accumulation of products and administration systems, and a consequent dive in service to customers. To avoid this, growth needs to be measured and controlled, achieved by increasing and then optimizing the key resources of capital, management, and personnel, so that the overall business expands in a sustainable manner

Website user experience: critical factors in direct sales acquisition

Based on a review of leading local and overseas direct life insurance and general insurance company websites, key influencing factors are identified.

- Claims – factors influencing the ease of making a claim: a) Prominence of "Make a Claim" link/button on homepage, b) Ease of contact by phone/email, c) "How to Claim" steps shown clearly, d) Ability and availability of all forms to download.
- Quick Quote - factors influencing ease of use to produce a quotation: a) ability to complete a quote online (optimized for desktop browser and mobile), or b) only by call-back.
- Testimonials – factors influencing customer perception and trust: a) customer testimonials with an independent customer rating or, b) unverified quotations, c) prominence of adherence to Life Insurance Code of Practice (FSC), d) identification of independent awards and research.
- Calculators and Tools – factors assisting customer decision making e.g. Life Insurance cover calculator, "Maximum Benefit by Age Group" visualization.
- Customer Engagement – technology innovations to drive new customer engagement e.g. "Your voice-controlled Google assistant can now answer all the important questions you have around getting life insurance for you and your family."
- Social Media – factors affecting engagement through use of social media: a) selecting the most effective platform, b) engagement through regular posting, c) production of appropriate content. e.g. YouTube: Allstate Corporation (USA) 54.7K subscribers.

Promotional material which includes an ever-increasing inclusion of sustainability and ESG credentials

Examples of this include the following:

- Allstate Corporation (USA) - "...announced that Susan L. Lees will become the company's first-ever Chief Sustainability Officer (Dec. 17, 2020)"
- Aviva Community Fund (UK) - "By delivering quarterly funding and year-round support, we hope to get behind projects that are making a sustainable impact on their community. … giving our employees a big role in how we support charities."
- Direct Line Group (UK) - Transparency Statement on Modern Slavery, "Our performance is assessed externally by Environmental, Social, Governance (ESG) rating agencies."

Rewards programs which increase loyalty and retention

An example of a Rewards App is: YouiRewards (mobile phone app) - "Once you're a Youi client, getting YouiRewards is easy. Simply download the Youi App, link your policy, and start saving. And if you're not a Youi client yet, why wait? Start a quote online today, and you could save on more than just your insurance."

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